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Chairman: Mr. Kelapile (Vice-Chairman) ..... (Botswana)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of the Chairman, Mr. Kelapile (Botswana), Vice-Chairman, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*) (A/54/287 and Add.1, A/54/456 and Add.1-5; A/C.5/55/543)

1. **Mr. Halbwachs** (Controller) introduced the report containing the Secretary-General's proposals on results-based budgeting (A/54/456 and Add.1-5). The changes that the Secretary-General proposed should be introduced gradually into the cycle of programme planning, budgeting, monitoring and evaluation, were not revolutionary. They were part of an evolutionary process began many years previously, which had already led to revisions to the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and Methods of Evaluation. The inclusion of "expected accomplishments" in the medium-term plan and the programme budget as well as strategies and indicators of achievement in the proposed medium-term plan for the period 2002-2005, was in keeping with the Regulations and Rules.

2. Under the first proposal, indicators of achievement similar to those already contained in the proposed medium-term plan for the period 2002-2005 would be included in the proposed programme budget for the period 2002-2003. In order to maintain the linkage between the two documents, a decision in that regard must be taken immediately. The Secretary-General also proposed that the programme performance report for 2002-2003 should contain an assessment of the performance of the Organization in terms of the expected accomplishments, using the indicators of achievement included in the programme budget. Such information would be in addition to the information on output measurement. The level and quality of financial data made available to Member States for the review of the programme budget would be maintained, at least initially. The issue could be taken up again at some point in the future when adequate experience with the use of indicators had been gained. The Secretariat was of the view that the concepts explained in the report of the Secretary-General could be applied to all activities covered by the programme budget, making the necessary adjustments for the differences in nature of those activities.

3. The Advisory Committee on Administrative and Budgetary Questions had made a number of suggestions which should ensure that the Secretary-General's proposals, if approved by the Assembly, could be implemented effectively. They related to the flexibility and accountability of programme managers, staff training, information and accounting systems and the need for a continuing dialogue with Member States. Both the report of the Advisory Committee and that of the Secretary-General clearly reflected a concern on the need to proceed gradually, introducing refinements on the basis of experience and cooperation between the Secretariat and Member States. The Advisory Committee, which had considered the proposals changes very carefully and in its report had elaborated further on the differences between the current programme budget and the proposed results-based method, saw the Secretary-General's proposals not as a revolution, but as an attempt to build upon and strengthen the existing process (A/55/543, para. 26). The Joint Inspection Unit had pointed out that, like any other budget methodology, the benefits to be gained from the use of results-based budgeting for the United Nations would be determined by the care and judgement of both the Secretariat and Member States in their concerted efforts to apply it (A/54/287, para. 82).

4. Addressing the concerns raised by the use of the term "results-based budgeting", he stressed that the concept did not mean that the resources would be allocated on the basis of outputs. Funds would be allocated using the same criteria that were currently used. Requests for resources would still need to be justified in terms of output delivery, in accordance with the relevant Regulations and Rules. The Secretariat was convinced that the use of indicators at the programme implementation monitoring phase would provide better information on the impact of programmes. Results-based budgeting was a programming tool, not a punitive financial instrument, which had no impact on the volume of budgetary resources. The approval by the General Assembly of the measures proposed by the Secretary-General would not change the nature of the Organization or the way in which it conducted its work. Nor would it change the way in which resources were allocated to the different programmes. Requests for resources would still need to be based on detailed supporting documents. However,

it should provide a clearer picture of the Organization's objectives and the extent to which they were achieved.

5. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee's report (A/55/543) reflected a delicate compromise achieved after an extensive examination of the reports of the Secretary-General and several meetings with the Director of the Programme Planning and Budget Division, representatives of the specialized agencies and one of the authors of the report of the Joint Inspection Unit on the issue. The proposals currently before the Fifth Committee were the outcome of a long evolution spearheaded by the Advisory Committee, the Committee for Programme and Coordination (CPC) and the Fifth Committee. At the request of the General Assembly, the Secretary-General had prepared a series of reports in which he had identified weaknesses in the current process and had recommended, inter alia, the introduction of results-based elements in a manner that fully reflected the specific needs and characteristics of the Organization. That change, according to the Secretary-General, would be progressive and would be refined in the light of experience.

6. The Advisory Committee had prepared its report with a view to facilitating the analysis of the Secretary-General's proposals and recommendations. The Secretary-General proposed the inclusion of performance indicators in all sections of the proposed programme budget for 2002-2003. Subject to its observations, the Advisory Committee agreed to that proposal, considering that such indicators had already been approved by the General Assembly as part of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, and appeared in the proposed medium-term plan for 2002-2005, which, once approved by the General Assembly, would become the framework for the proposed programme budget for 2002-2003.

7. With respect to the structure of the budget document, the Advisory Committee recommended that the proposed programme budget for 2002-2003 should be prepared taking into account the observations and recommendations contained in its report. The Advisory Committee would give further guidance on the question in the context of the examination of the proposed budget (A/55/543, para. 22). There was no model budget document for the United Nations. It was in the context of their consideration of the actual budget proposals that the Advisory Committee and the Fifth Committee would be best able to determine the effect, on decision-making, of any proposed change in the content and structure of the proposed budget.

8. In the Secretary-General's report, there was considerable discussion of the need to give programme managers greater flexibility and accountability in budget implementation. The Advisory Committee's recommendations on that important issue, which was the core foundation of trust between Member States and the Secretariat, appeared in paragraph 16 of its report. Before any action was taken, the flexibility currently available to the Secretary-General in using funds appropriated by the General Assembly should be fully understood. That flexibility was greater in the context of peacekeeping operations than in the context of the regular budget. While the Secretary-General could transfer appropriations from one line to another within a budget section, he had to seek the concurrence of the Advisory Committee before effecting such transfers between budget sections. The Advisory Committee would deal with that subject in the context of the next programme budget only if the Secretary-General insisted that he needed more flexibility.

9. The Advisory Committee had tried to alleviate any suspicions that results-based budgeting techniques would be used to cut resources. The General Assembly had already clearly expressed its opposition to such a practice. Furthermore, the budget proposals would be prepared in accordance with the provisions currently governing programme planning and with General Assembly resolution 41/213. The title of the budget document would not change and the two budget performance reports would continue to be submitted at the end of the first and second years of the biennium, respectively. The improvement of those reports and of the evaluation and monitoring process would be determined by the quality of the medium-term plan and the programme budget documents. The terms used in the Regulations and Rules Governing Programme Planning would continue to be used and should be considered for possible change by the General Assembly only after considerable experience had been gained. The five prototype fascicles prepared to illustrate the use of results-based techniques and terminology in selected sections of the 2000-2001 budget were of limited value, as indicated in paragraph 19 of the Advisory Committee's report. The relevant

recommendation of the Advisory Committee was contained in paragraph 34.

10. Unlike Member States, the United Nations had no territory or population against which to measure the impact of its activities. Therefore, tools such as performance indicators, expected accomplishments and measurable objectives must be tailored to the Organization's specific characteristics. As recognized implicitly in rule 104.7 of the Regulations and Rules Governing Programme Planning, it was not necessarily possible to formulate indicators of achievement in all cases. That was the most difficult aspect of results-based budgeting. After experience had been gained, it might be necessary to review the extent to which performance indicators could be applied to all sections of the programme budget.

11. The Advisory Committee had recapitulated its recommendations in paragraph 34 of its report and had formulated its principal observations in paragraphs 26 to 33. It had stressed, inter alia, that the Secretary-General's proposals incorporated much of the current practice, including the maintenance of the current role of the intergovernmental machinery; that the Organization's financial situation should not be the impetus for changing the budget methodology; and that the Secretary-General was still responsible for fully justifying his requests for resources. The planning and programming of activities would also be facilitated by the installation of effective information technology and extensive staff training. However, those measures would not be fully successful unless there was mutual trust between Member States and the Secretariat and unless the Secretariat's highest officials were perceived to be fully engaged in that endeavour.

12. **Mr. Abraszewski** (Joint Inspection Unit) introduced the report of the Joint Inspection Unit on results-based budgeting: the experience of United Nations system organizations (A/54/287 and Add.1) on behalf of the co-authors. Conscious that the issue was very sensitive and that some perceived the planned introduction of results-based budgeting in the United Nations as an attempt to limit Member States' oversight of management and the role of the Fifth Committee, the inspectors had been careful to adhere scrupulously to the provision of General Assembly resolution 53/205 requesting them to undertake an analytical and comparative study of the experience of the bodies of the United Nations system that were implementing an approach similar to results-based budgeting. The only recommendations contained in the report, which was intentionally factual and neutral, related to matters of procedure in order to assist the Fifth Committee in reaching a decision on the advisability of applying results-based budgeting to the United Nations programme budget. The document, which had been well received by the United Nations system organizations, had been the subject of in-depth discussion with the Advisory Committee, whose observations on many points converged with those of the inspectors.

13. A number of events had taken place since the report was issued in August 1999: inter alia, the World Intellectual Property Organization had issued a report on programme performance for 1998 in which qualitative performance measurement was based on indicators and UNESCO had issued its programme budget for the biennium 2000-2001, the first programme budget to be prepared using a results-based programming method.

14. As a general rule, the United Nations system organizations had a very positive view and high expectations of results-based budgeting, but analysis of their programme budgets showed that their application of that technique was still at the developmental phase, particularly as far as such elements as expected results, performance indicators and performance measurement were concerned (see table on page 5). The objective of the study undertaken by the inspectors had been to analyse the experience of the specialized agencies and IAEA in order to facilitate the General Assembly's consideration of the issue of the application of results-based budgeting to the United Nations. The inspectors had drawn up, for that purpose, a list of the concerns expressed by Member States in General Assembly resolution 53/205 and in the debate in the Fifth Committee to which they had added some important points such as the relationship between the method and the medium-term plan.

15. The application of results-based budgeting methods in the United Nations system organizations was still at the developmental stage. The inspectors had observed that the experience of those organizations had been mixed (para. 76); that experience was analysed in chapter III of the report. There were five points in respect of which the organizations' experience was reassuring: results-based budgeting could be shaped to address the specific needs and characteristics of each organization; it could enhance the governance function

of Member States; since it was neither a budget-reduction, nor a staff-reduction exercise, it was a neutral management tool; it allowed qualitative as well as quantitative results to be used as the basis for justification of resource requirements; and it appeared to increase the importance of the medium-term plan. Regarding the neutrality of results-based budgeting as a management tool, he drew attention to the comments made in paragraphs 51 and 52 of the report.

16. Among the problems that required special attention were, first, the lack of harmonization of key terms. The United Nations system organizations must all adopt the same common terminology, which must be established with the participation of Member States. There was also a need to consider whether the principles of results-based budgeting were applicable to all sections of the programme budget and whether the organizations were ready to implement them. The organizations consulted regarded the adoption of appropriate procedures, the establishment of high-performance information systems, staff training and the uniform application of the elements of the methodology throughout the organization as prerequisites for successful results-based budgeting. Adequate readiness was particularly important in the case of the United Nations, given the number of places in which it operates and the diversity of its programmes. In order to ensure that Member States participated in the process of adapting the technique to the characteristics of the Organization, the inspectors suggested that an open-ended working group be established, within the Fifth Committee, which could meet both during and, if necessary, between the sessions of the General Assembly. Lastly, the three other points that still posed problems were the modalities for taking account of the impact of external factors on achieving results, the leadership role to be played by executive heads and the interaction to be established between Member States and the Secretariat in choosing the results-based budgeting techniques best adapted to the needs of the Organization, and the role of the budget review bodies. Emphasizing that the expected benefits of results-based budgeting would be realized only if the Secretariat and Member States applied the methodology with care and judgement, in a concerted effort, he said that the success of budget reform depended on the establishment of a spirit of consensus among Member States and a climate of trust between them and the Secretariat.

17. **Ms. Gras** (France) spoke on behalf of the European Union and the associated countries Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

18. She said that the European Union was dissatisfied with the quality of the current budgeting system and attached great importance to results-based budgeting, a topic of interest at the United Nations since the Secretary-General had formulated his first proposals on the matter in 1997. The proposed new budgeting methods could enhance the Organization's ability to attain its objectives, increase the transparency of its activities for Member States and strengthen the link, currently too tenuous, between planning and budgeting. The new methods would bring a gradual change in perspective to budgetary debates, ensuring greater consistency between budget appropriations and the objectives stated in the medium-term plan and, by increasing the amount of information available, enhancing the ability of delegations to follow the activities of the Organization more closely and monitor the implementation of its mandates.

19. As the Advisory Committee on Administrative and Budgetary Questions (ACABQ) had noted, the change would require some effort. The terminology would have to become stable and widely used; external factors would have to be well defined; the new budgetary format would have to be adapted to fit particular sectors; programme managers would have to be held more accountable in return for greater flexibility in management; and information and accounting systems would need to be enhanced. The European Union favoured the prudent approach taken by the Secretary-General whereby the proposed programme budget for the next biennium would contain a statement of the objectives, expected accomplishments, performance indicators, external factors, outputs and financial resources, broken down by category as before, and it had every confidence in the ability of the Secretariat to implement the change successfully by the next session of the General Assembly.

20. The greater latitude afforded to programme managers would not encroach upon the prerogatives of the General Assembly, since it essentially involved a different allocation of powers within the Secretariat, and the exercise would remain within the framework of General Assembly decisions and the Financial Regulations and Rules. On the contrary, the Secretariat

would become accountable for its actual achievements, and the General Assembly would have an additional tool for controlling and assisting decision-making. The programme planning, budgeting and evaluation cycle would be more coherent, and evaluation would become an essential aspect of decision-making regarding the proposed programme budget.

21. Nearly 30 countries in all regions of the world and a number of organizations had adopted a more results-based financial approach, out of a concern, not to achieve savings, but to enhance transparency. The United Nations must gradually move in that direction and develop a results-based budgeting model adapted to its own needs, bearing in mind the remark by the Advisory Committee in paragraph 17 of its report that the budgeting format was neutral with respect to the level of resources and that under-performance should in no way result in an automatic reduction in resources. Thus understood, results-based budgeting should have the effect of extending and deepening the control the General Assembly exercised over the activities of the Organization and improving the quality of the dialogue between Member States and the Secretariat.

22. **Mr. Skjønsberg** (Norway) said that it had long been the practice at the United Nations to focus on inputs at the budgeting stage and on outputs at the monitoring and evaluation stages, without sufficiently questioning the relevance of those outputs. The current system led programme managers to focus their energies on delivering the programmed outputs, even though the outputs were not clearly linked to the expected accomplishments and overall objectives. The result was a tendency to lose sight of the ultimate goal.

23. Results-based budgeting, on the other hand, required programme managers to focus on accomplishments, that is, on the effects of their actions of benefit to the target population. At the same time, it would enhance the capacity of Member States to judge whether the activities of the United Nations were effective and relevant and to give policy direction to the work of the Organization.

24. The introduction of results-based budgeting would entail a shift in emphasis rather than a change of system. The only truly new elements compared with the current system were performance indicators and external factors. However, as the Advisory Committee had rightly pointed out, it would be necessary to look carefully at current information and accounting systems to determine whether they would meet the needs of results-based budgeting.

25. The medium-term plan was the framework for the programme budget. His delegation was pleased to note that the proposed medium-term plan for the period 2002-2005 was well structured and offered an excellent framework for a results-based budget. It agreed with the Advisory Committee that the introduction of new budget procedures should not be seen as a means to reduce the budget or achieve savings, nor as part of a trend towards the arbitrary setting of budgetary ceilings. In that regard, he recalled that Norway, in its statement on 16 October 2000 concerning the financial situation of the United Nations, had come out against the principle of zero nominal growth.

26. The proposals of the Secretary-General incorporated much of the current practice, and there was no need to amend the Financial Regulations and Rules or the Regulations and Rules Governing Programme Planning. The introduction of a results-based budget format should take the form of a gradual process of change, accompanied by a comprehensive training programme, and staff should have an opportunity to contribute to the process by sharing their experience and suggestions. Norway recommended that the General Assembly should approve the recommendation contained in paragraph 85 of the Secretary-General's report (A/54/456); with regard to paragraph 86, his delegation agreed with the Advisory Committee that the programme performance report for the biennium 2002-2003 should contain an assessment of the performance of the Organization in terms of all the expected accomplishments, using the indicators of achievement included in the programme budget.

27. **Mr. Powles** (New Zealand), speaking also on behalf of Australia and Canada, said that the South Pacific Forum States of the Federated States of Micronesia, Fiji, the Marshall Islands, Nauru, Papua New Guinea, Samoa, Solomon Islands and Vanuatu associated themselves with the statement.

28. The reports under consideration addressed the concerns that had emerged in 1998, which was the last time that the Committee had discussed the question. The connection between the existing format and results-based budgeting was very clearly described in the reports of the Secretary-General (A/54/456 and Add.1-5) and of the Advisory Committee on

Administrative and Budgetary Questions (A/55/543). The new system was intended to build upon and strengthen the existing one. Simply put, results-based budgeting represented a further evolution of the current programme budget framework and not a new invention of it. As had been noted, the new system was neutral with respect to increases or reductions in budgets or staff.

29. Results-based budgeting would help the Secretariat to focus on the priority objectives of the medium-term plan, which had been given renewed emphasis in the Millennium Declaration agreed to by the world's political leaders. Whatever the activities to be carried out and the outputs to be achieved, results-based budgeting would help keep Member States and the Secretariat focused on what had ultimately to be achieved. Results-based budgeting did not change the nature of the budget, but placed emphasis instead on the effectiveness of programme implementation, which should help the Organization to rise to the challenges of the new century.

30. Results-based budgeting should also enhance budgetary transparency. The current format lacked a realistic system for determining the levels of human and financial resources which the Secretary-General needed in order to implement the mandates entrusted to him by Member States and, with the current emphasis on inputs and outputs instead of on results, Member States did not have meaningful measures by which to determine the effectiveness of the activities undertaken to meet programme objectives. On the other hand, the emphasis in results-based budgeting was on results that were measurable by performance indicators and directly linked to mandates. Moreover, as the Secretary-General made it clear in his report, results-based budgeting would occur in a logical framework, which included the budget outline, the medium-term plan and other processes agreed to by the General Assembly in resolution 41/213 and in subsequent legislation.

31. The States on whose behalf he spoke had supported at the time the Secretary-General's reform programme, the establishment of the Development Account and reform of human resources management and they saw results-based budgeting as the best means of improving the Secretariat's effectiveness. They therefore fully endorsed the recommendations contained in paragraphs 85 and 86 of the report of the Secretary-General (A/54/456) and also concurred with paragraphs 26 to 34 of the report of the Advisory Committee (A/55/543). They wished to express their appreciation to the Advisory Committee for its comprehensive analysis of the whole issue of budgeting, including in exchanges on the subject with other agencies of the United Nations system, and they believed that, as the Advisory Committee had pointed out, the time had come to include in the programme performance report for the biennium 2002-2003 an assessment of the overall performance of the Organization. Such an innovation would be particularly welcome.

32. In the Millennium Declaration, their political leaders had agreed to specific targets which required action and, above all, results. It was the responsibility of the Secretary-General and the Secretariat to help Member States achieve those targets and the Fifth Committee should not prevent them from using for that purpose the instrument of results-based budgeting. The Committee should therefore spare no effort to ensure that the instrument was adopted as early as possible.

33. **Mr. Fujii** (Japan) said that his delegation was highly appreciative of the report of the Advisory Committee, whose opinions and conclusions contained valuable guidelines for the reform of the budgeting system. The Advisory Committee was correct to suggest a gradual, reasonable and realistic approach to results-based budgeting, an approach that was not in conflict with previous methods but represented instead the further development of the existing system. His delegation agreed, in particular, with the opinions contained in paragraphs 16 and 28 of the Advisory Committee's report.

34. **Mr. Lozinski** (Russian Federation) recalled that, from the inception of the Organization, Member States had been seeking a formula that would most effectively account, through the budget, for the use of the Organization's resources. The first reform had taken place in 1973, when the format of object of expenditure had been replaced by the breakdown of expenditures by programme. The current objective was to place more emphasis on the qualitative evaluation of the Organization's activities by specifying "expected accomplishments" when resources were being allocated. The Russian Federation supported the effort to further refine the system, since, in the existing format, the connection between resources and outcomes was not sufficiently clear. The expected accomplishments were not specifically indicated at the

start of the process and, since they were unable to determine at the end of the budget period whether the expected accomplishments had been achieved, States Members were not in a position to optimize the allocation of resources to reflect the relationship between the different outputs and programmes on the one hand and the results of the Organization's activities on the other. Under ideal conditions and with strict adherence to the principles of sound management, the shift to results-based budgeting would undeniably represent progress. However, since those conditions were not met, the Russian Federation was in favour of a gradualist approach. The report of the Advisory Committee (A/55/543) provided a useful basis for the review of the Secretary-General's proposals. He shared the Advisory Committee's view that the proposals reflected many elements of the existing system and that there was therefore no reason to immediately change the Financial Regulations or the Regulations and Rules Governing Programme Planning. Indeed, the aim was merely to clarify and to apply more broadly the provisions already set out in the Regulations and Rules Governing Programme Planning.

35. It was perfectly logical that the process should be accompanied by the introduction of a new management style, which required the implementation of an effective system to monitor job performance and a system of accountability, as well as implementation of the Secretary-General's proposals for human resources management reform (planning, recruitment, mobility, continuous learning, improvement in contractual arrangements and more delegation of authority, with their accompanying obligations). The Advisory Committee rightly considered (A/55/543, para. 24) that staff involvement at all levels in the development of all components of results-based budgeting was a matter of critical importance. The new budgeting system should be introduced gradually based on information technologies and taking into account lessons learned. In order to ensure its success, the Secretariat and Member States must work together to further refine the system and to enhance its transparency and effectiveness.

The meeting rose at 11.25 a.m.